

**ORIGINAL**

**OPEN MEETING**



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**MEMORANDUM RECEIVED**

Arizona Corporation Commission 2010 JUL 14 P 4:40

TO: THE COMMISSION

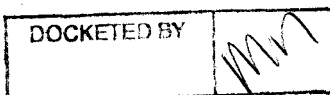
**DOCKETED**

AZ CORP COMMISSION  
DOCKET CONTROL

FROM: Utilities Division

JUL 14 2010

DATE: July 14, 2010



RE: UNS ELECTRIC, INC. - APPLICATION FOR APPROVAL OF PRICING PLAN  
RIDER-3 MARKET COST OF COMPARABLE CONVENTIONAL GENERATION  
(DOCKET NO. E-04204A-10-0162)

**Background**

On April 2, 2010, UNS Electric, Inc. ("UNSE" or "Company") filed an application for approval of its revised pricing plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG") to update its avoided cost rate. UNSE's proposed Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities.

The Commission's Decision No. 71412 approving UNSE's Net Metering tariff (NM-PRS) stated:

Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill, the Company would credit the Customer for the balance of excess kWhs remaining. The payment for the purchase of these excess kWhs would be at the Company's applicable avoided cost. UNSE has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its proposed Pricing Plan Rider-3 applicable to the NM-PRS. Proposed Rider-3 shows the credit for excess generation to be 3.109¢ per kWh as of June 1, 2009.

The proposed Rider-3 indicated that the MCCCG will be filed annually by UNSE for approval by the Commission.

**Proposed Tariff**

UNSE's proposed revision to pricing plan Rider-3 would increase the MCCCG and therefore the avoided cost rate for purchases of excess energy from Net Metering Facilities.

The revised Rider-3 shows the credit for excess generation to be 4.11¢ per kWh.

Staff has reviewed UNSE's hourly marginal costs that resulted in the 4.11¢ rate and finds the data and calculations to be reasonable.

**Recommendations**

Staff recommends that UNSE's revised Pricing Plan Rider-3 (MCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

Staff further recommends that UNSE file a Pricing Plan Rider-3 consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea  
Director  
Utilities Division

SMO:JJP:lhv\JMA

ORIGINATOR: Jeffrey Pasquinelli

1                                    **BEFORE THE ARIZONA CORPORATION COMMISSION**

2    KRISTIN K. MAYES  
     Chairman

3    GARY PIERCE  
     Commissioner

4    SANDRA D. KENNEDY  
     Commissioner

5    PAUL NEWMAN  
     Commissioner

6    BOB STUMP  
     Commissioner

8    IN THE MATTER OF THE APPLICATION )  
9    OF UNS ELECTRIC, INC. FOR APPROVAL )  
10   OF PRICING RIDER-3 MARKET COST OF )  
11   COMPARABLE CONVENTIONAL            )  
12   GENERATION                                )

DOCKET NO. E-04204A-10-0162

DECISION NO. \_\_\_\_\_

ORDER

12   Open Meeting  
13   July 27 and 28, 2010  
14   Phoenix, Arizona

14   BY THE COMMISSION:

15                                    FINDINGS OF FACT

16            1.     UNS Electric, Inc. ("UNSE" or "Company") is certificated to provide electric  
17   service as a public service corporation in the State of Arizona.

18            2.     On April 28, 2010, UNSE filed an application for approval of its revised Pricing  
19   Plan Rider-3, Market Cost of Comparable Conventional Generation ("MCCCG") to update its  
20   avoided cost rate. UNSE's proposed Pricing Plan Rider-3 specifies a standard rate to be paid for  
21   purchases of excess energy from Net Metering Facilities.

22            3.     The Commission's Decision No. 71412 approving UNSE's Net Metering tariff  
23   (NM-PRS) stated:

24            Each calendar year, for the customer bills produced in October (September usage)  
25   or a customer's "Final" bill, the Company would credit the Customer for the  
26   balance of excess kWhs remaining. The payment for the purchase of these excess  
27   kWhs would be at the Company's applicable avoided cost. UNSE has defined its  
28   avoided cost as the average hourly market cost of comparable conventional  
generation as specified on its proposed Pricing Plan Rider-3 applicable to the NM-  
PRS. Proposed Rider-3 shows the credit for excess generation to be 3.109¢ per  
kWh as of June 1, 2009.

4. The proposed Rider-3 indicated that the MCCCCG will be filed annually by UNSE for approval by the Commission.

### Proposed Tariff

5. UNSE's proposed revision to pricing plan Rider-3 would increase the MCCCCG and therefore the avoided cost rate for purchases of excess energy from Net Metering Facilities.

6. The revised Rider-3 shows the credit for excess generation to be 4.11¢ per kWh.

7. Staff has reviewed UNSE's hourly marginal costs that resulted in the 4.11¢ rate and finds the data and calculations to be reasonable.

### Recommendations

8. Staff has recommended that UNSE's revised Pricing Plan Rider-3 (MCCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

9. Staff has further recommended that UNSE file a Pricing Plan Rider-3 consistent with the Decision in this case within 15 days of the effective date of the Decision.

### CONCLUSIONS OF LAW

1. UNSE is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over UNSE and over the subject matter of the application.

3. Approval of Pricing Plan Rider-3 does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff's Memorandum dated July 14, 2010, concludes that Pricing Plan Rider-3 should be approved as discussed herein.

### ORDER

IT IS THEREFORE ORDERED that UNS Electric, Inc.'s revised Pricing Plan Rider-3 be and is hereby approved as discussed herein.

IT IS THEREFORE ORDERED that the avoided cost rate of 4.11¢ per kWh shall be effective as of August 1, 2010.

...

1 IT IS FURTHER ORDERED that UNS Electric, Inc. shall file a revised tariff consistent  
2 with this Decision with Docket Control, as a compliance matter to this docket, within 15 days of  
3 the effective date of this Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5  
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7  
8  
9 CHAIRMAN

COMMISSIONER

10  
11 COMMISSIONER

COMMISSIONER

COMMISSIONER

12  
13 IN WITNESS WHEREOF, I, Ernest G. Johnson, Executive  
14 Director of the Arizona Corporation Commission, have  
15 hereunto, set my hand and caused the official seal of this  
16 Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

18  
19 ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

20  
21 DISSENT: \_\_\_\_\_

22  
23 DISSENT: \_\_\_\_\_

24 SMO:JJP:lhv\JMA

1 SERVICE LIST FOR: UNS Electric, Inc.  
2 DOCKET NO. E-04204A 10-0162

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